



LIQUIDITY MANAGEMENT

# Goodyear replaces treasury structure with comprehensive automated solutions



## Adam Smith Awards

Winner - Best Liquidity Management Solution in Asia

*Goodyear achieved millions in cost savings per year given the potent combination of solutions that includes cross-border, multicurrency, multi-entity, fully automated notional pooling, cash concentration and just-in-time funding mechanisms.*

## About

Goodyear is one of the world's largest tire companies. It employs about 72,000 people and manufactures its products in 57 facilities in 23 countries around the world. Its two Innovation Centers in Akron, Ohio and Colmar-Berg, Luxembourg strive to develop state-of-the-art products and services that set the industry's technology and performance standards.

## The challenge

For decades, Goodyear did not have an automated liquidity structure in place in Asia Pacific. The organization holds more than 100 accounts with multiple banks in 13 markets. As a result, cash visibility was sub-optimal due to excess cash being manually and periodically transferred to either its in-house-bank entity or headquarters. Further, its collections and scheduled payments occurred at different times every month, so Goodyear's accounts always faced either a shortfall or surplus of cash.

This created a host of problems. For instance, cash was sometimes in the wrong place, manually transferring funds incurred unnecessary fees, and internal cash was inefficiently utilized at both the Asia Pacific and group level. Without a liquidity structure, the entities had to build up extra safety cash balances locally, which resulted in idle funds. In addition, excel spreadsheets manually tracked funds moving between entities, which introduced the possibility of human errors and control risk.

In one market where Goodyear has different entities with different functional currencies and different cash needs, the firm also faced the challenge of moving funds between entities without incurring high costs and FX exposure risks.

Goodyear decided to strategically prioritize working capital efficiencies by overhauling its liquidity structure. Specifically, the company aimed to reduce the number of banking relationships/accounts, improve cash visibility, and consolidate funds through automated solutions.



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## The solution

Goodyear required a powerful, comprehensive and carefully tailored solution to transform its decades-old liquidity management system, and J.P. Morgan provided this solution with a unique combination of cross-border, multicurrency, multi-entity, fully automated notional pooling, cash concentration and just-in-time funding mechanisms.

The overhaul will be implemented in a phased approach. It will start with unrestricted markets pooling domestic physical cash via various cash concentration mechanisms so liquidity consolidation is automated. In markets where Goodyear must maintain accounts with local third-party banks, an automated multibank sweep solution will be deployed so Goodyear can concentrate local liquidity to J.P. Morgan.

In one market, Goodyear will create a multi-entity, multicurrency notional pool. Previously, one entity used the local currency as its functional currency, and another used both local currency and the USD as its functional currencies – and was generally flushed with cash. The new notional pool will allow both entities to keep their functional currencies while automatically moving cash between them without additional costs or FX exposure risks.

For Singapore, where Goodyear's global procurement hub resides, the firm will also leverage J.P. Morgan's Just-In-Time Funding. The tool automatically calculates and funds the accounts as necessary to fund its procurement entity for large-value payment runs and ensure the optimization of their intraday overdraft facility.

To connect these domestic cash concentration structures, a regional multicurrency notional pool has been set up in Singapore and linked to the various local cash pools via a physical two-way cross-border sweep. This notional pool will allow Goodyear to:



**Maximize the efficiency  
of its balance sheet**



**Improve the utilization  
and efficiency of internal cash**



**Improve foreign exchange  
management across currencies**



**Centralize cash for increased  
visibility and control**

The pool is also further integrated into Goodyear's in-house bank in Luxembourg on a same-day value basis via an automated two-way cross border sweep.

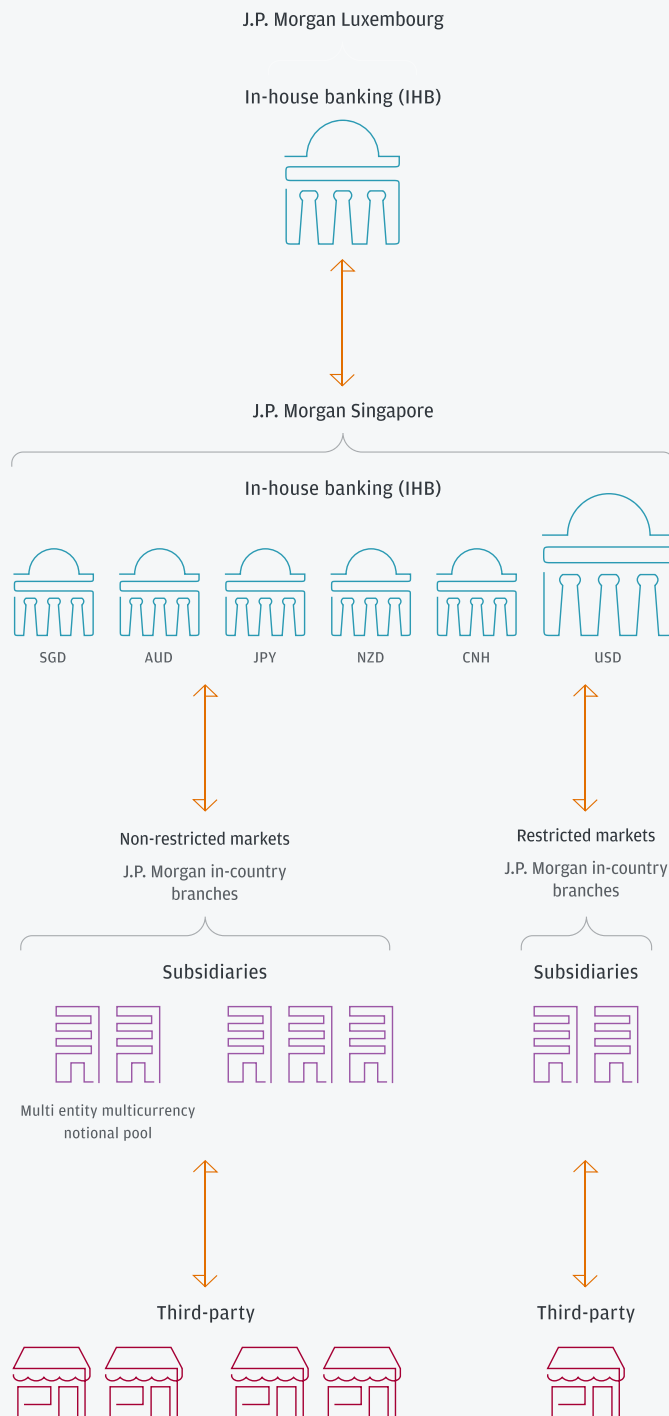
**J.P.Morgan**



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## End State Liquidity Structure



“J.P. Morgan offers a powerful change engine for clients. With this flexible and scalable liquidity solution, Goodyear has achieved its treasury objectives to lower idle cash and financing costs without adding additional FX exposures or manual work. In addition to that, the liquidity solution seamlessly connects with its daily operations, maximizing liquidity utilization efficiency.”

-James Ho, Regional Cash Management Manager & Japan Treasurer, Goodyear

## The Results

With the bespoke solutions, Goodyear has the potential to save millions of dollars in interest expense per year and concentrate up to 60 percent of existing balances in Singapore. In addition, Goodyear will also be able to achieve the below tangible benefits:

- **Centralization** - Enhance visibility and control of account balance and consolidate surplus cash balances in one centralized location with the flexibility of sweeping it to their Luxembourg in-house bank
- **Optimization** - Consolidate balances across the region to improve the utilization of cash
- **Automation** - Eliminate manual processes via automated sweeps to improve efficiency and risk management
- **Same day value** - All fund movements within J.P. Morgan accounts across Asia Pacific as well as to their in-house bank in Luxembourg, will enjoy same day value
- **Connectivity** - Automate the data feed of all fund movements with SAP to eliminate manual accounting entries
- **Reporting and risk management** - Provide real-time reporting on all account balances and intercompany fund movements and eliminate gaps in the controls as a result of manual tracking and processes

The power of the solution lies in the carefully tailored combination of the individual liquidity-enhancing capabilities that, when put together, completely transformed Goodyear's cash management function, from archaic and manual previously, to today's nimble and fully automated state.

“With their global, regional and local needs in mind, J.P. Morgan tailored a powerful solution encompassing our leading liquidity capabilities to replace Goodyear's decades-old archaic structure.”

-May May Pang, Executive Director, Regional Multinational Corporate Sales, J.P. Morgan

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